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SUMMARY

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SUMMARY OF THE SCHEME FOR STABILISING PRICES OF RAW MATERIALS BY THE CREATION OF AN INTERNATIONAL STOCKPILING AND REGULATION FUND

By G. ARDANT,
Inspector General of Finance

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INTRODUCTION

The importance of this problem for the developing countries is well known and recourse to an international stockpiling system has already been contemplated as a remedy. It would be well to demonstrate that an institution of this nature could serve as an aid fund for developing countries and, in particular, that a machinery for regulating prices of a few raw materials could evolve into a device for regulating economic life as a whole.

I. OUTLINE OF THE PROPOSED SYSTEM

An international fund purchasing homogeneous basic products suitable for stockpiling (cereals, metals, rubber etc...) at a fixed price and selling at a slightly higher price. Stocks on a fairly large scale facilitate absorption by it of periodic market fluctuations.

Financing: contributions from various countries or issuing power for the stabilisation fund.

This type of system shows the greatest respect for the law of the market. The arbitrary element inevitably inherent in price fixing can be eliminated by periodical and relatively small re-adjustments or by fixing a global price for a composite range of commodities.

Furthermore, the fund could include a kind of overflow aid in kind to the developing countries.

II. ADVANTAGES

A - Direct advantages for developing countries

1) Resources regularly available for the import of capital goods and, therefore, for the implementation of development programmes;

2) Regular outlets, therefore inducement to organise productive capacity.

B - Indirect advantages

The "developed" countries would now have a means to combat under-employment in addition to the Keynesian methods (lowering of interest rates or large-scale works) offering the dual advantage of being able to be put into operation automatically and of being reversible: should circumstances be reversed, in fact, products would be released on to the market. This possibility of combating inflation by means of stocks would provide the economy with a flexible regulator and would enable the industrialised countries of Europe and North America to embark more readily on policies of full employment.

Furthermore, the existence of a currency which would follow the economy and therefore never become scarce, would reduce balance of payments' difficulties, the cause of periodical curbs on the economy.

The developing countries would profit from these possibilities for overall world expansion.

A possible advantage: during a given period, part of the stocks could be made available to developing countries engaged in the process of mobilising their available labour force, constituting a kind of overflow which would obviate any concern regarding surplus stocks. The need to fix prices with discretion would be nonetheless essential.

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